

Message Text

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43

ACTION EB-11

INFO OCT-01 AF-10 ISO-00 TRSE-00 COME-00 AID-20 OPIC-12

XMB-07 IGA-02 CIAE-00 INR-11 NSAE-00 RSC-01 DRC-01

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R 201340Z SEP 74

FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC 6586

C O N F I D E N T I A L TANANARIVE 1459

E.O. 11652: GDS

TAGS: EFIN, IMF, IBRD, MA

SUBJECT: U.S. VISIT BY MALAGASY MINISTER OF ECONOMY AND FINANCE
AND SUITE

REF: A. STATE 182246; B. TANARIVE 1352

SUMMARY: MALAGASY MINISTER ECONOMY AND FINANCE MAY CALL AT
DEPT AND/OR AID WHILE IN WASHINGTON DURING IMF/IBRD MEETINGS.
IF SO, EMBASSY SUGGESTS DEPT RAISE TRADE AND INVESTMENT
PROBLEMS WITH HIM. AID SHOULD BE RAISED ONLY IF HE BRINGS
IT UP. AS POSITIVE GESTURE, HE COULD BE URGED TO DISCUSS
CREDITS WITH EXPORT-IMPORT BANK. END SUMMARY.

1. MINISTER ECONOMY AND FINANCE ALBERT-MARIE RAMAROSON MAY
CALL AT DEPT DURING VISIT TO WASHINGTON FOR IMF-IBRD MEETINGS
(ACCORDING MEMO CONVERSATION SEPT 12 BETWEEN AMBASSADOR
RAHARIJAONA AND DEP ASST SEC MULCAHY, JUST RECEIVED). RAMAROSON
AND/OR OTHERS IN SUITE (REF B) MAY ALSO CALL AT AID.

2. EMBASSY HAS HAD NO DISCUSSION WITH THESE OFFICIALS ABOUT
POSSIBLE CALLS, AND HAS NO REASON ENCOURAGE THEM CALL AT
EITHER DEPT OR AID. IF OPPORTUNITY ARISES, WE SHALL HOWEVER
ENCOURAGE RAMAROSON CALL ON EXPORT-IMPORT BANK.

3. IN CASE OF CALLS, WE SUGGESTING BELOW ISSUES TO BE RAISED
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WITH RAMAROSON AND RESPONSES ON ISSUES HE MAY RAISE.

4. TRADE. DEPT COULD OUTLINE EXPECTATIONS WITH RESPECT GENERALIZED PREFERENCES, AND EXPRESS DESIRE FOR MALAGASY ELIMINATION OF REVERSE PREFERENCES. IF EXTENSION U.S. GENERALIZED PREFERENCES TO ANY PARTICULAR COUNTRY CONTINUES BE PREDICATED ON LATTER'S ABROGATION OF REVERSE PREFERENCES, RAMAROSON SHOULD BE SO INFORMED. (RAMAROSON FAVORABLY DISPOSED TOWARD ELIMINATION REVERSE PREFERENCES.)

5. INVESTMENT. DEPT COULD NOTE DIFFICULTIES BEING ENCOUNTERED BY AMERICAN INVESTORS IN MADAGASCAR MAY DISCOURAGE FURTHER INVESTMENT UNLESS RESOLUTIONS MUTUALLY SATISFACTORY TO GOMR AND INVESTORS WORKED OUT:

A. PROPOSED RANCHING INVESTMENT BY WINTHROP ROCKEFELLER INTERESTS TURNED DOWN IN EARLY 1973 BY GOMR. WE UNDERSTAND THAT GOMR LATER WISHED RESUME DISCUSSIONS, BUT BY THAT TIME AMERICAN INTERESTS HAD TURNED ELSEWHERE.

B. UTAH DEVELOPMENT COMPANY COAL MINING EXPLORATION PROPOSAL APPEARS STUCK BECAUSE 1) GOMR HAS NOT YET REACHED DECISION INCLUDE SUFFICIENT AREA IN PROPOSED PERMIT AREA TO WARRANT INTEREST OF AMERICAN COMPANY AND 2) GOMR PROPOSAL FOR MAJORITY SHARE IN EVENTUAL EXPLOITATION COMPANY IS BASED ONLY ON COAL DEPOSITS, RATHER THAN EFFECTIVE CONTRIBUTION OF CAPITAL. LAST OPPORTUNITY FOR RESOLUTION MAY BE DURING OCTOBER VISIT OF UTAH REPRESENTATIVE. (BELIEVE RAMAROSON MAY BE ON UTAH'S SIDE ON ONE OR BOTH OF THESE ISSUES, AND PROBLEM LIES IN OFFICE OF HEAD OF GOVERNMENT, BUT WOULD BE WORTHWHILE RAISING WITH HIM.)

C. U.S. STEEL MAY SHORTLY BE DISCUSSING EXPLOITATION COMPANY FOR ILMENITE DEPOSITS WITH GOMR. WILL THERE BE ISSUE SIMILAR TO SECOND QUESTION UTAH HAS ENCOUNTERED?

D. FYI: RAMAROSON HAS SENT CALTEX MADAGASCAR LETTER LEVYING \$2 MILLION FINE FOR VIOLATION OF FOREIGN EXCHANGE LAWS FOR FAILURE REPATRIATE WITHIN LEGAL TIME LIMITS FOREIGN EXCHANGE PROCEEDS OF EXPORTS OF FUEL OIL FROM TAMATAVE REFINERY. CALTEX HOME OFFICE HAD RETAINED THESE CONFIDENTIAL

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EARNINGS AS HEDGE AGAINST LARGER AMOUNTS OF FOREIGN EXCHANGE OWED BY MADAGASCAR FOR CRUDE OIL IMPORTS, BUT THEY HAVE NOW BEEN REPATRIATED TO MADAGASCAR. CALTEX RECOGNIZES TECHNICAL VIOLATION OF FOREIGN EXCHANGE LAWS, AND TRYING NEGOTIATE FINE DOWN TO MORE FITTING LEVEL. BUT RAMAROSON HAS REFUSED RECEIVE AMERICAN CALTEX MANAGER, AND LATTER PREVENTED FROM LEAVING MADAGASCAR UNTIL MATTER SETTLED. FULL DETAILS IN EMBASSY'S A-135, SEPT 19. SINCE CALTEX

HAS NOT SPECIFICALLY REQUESTED U.S. GOVT ASSISTANCE AT THIS STAGE, AND SINCE IT MAY BE EASIER BRING RAMAROSON OFF \$2 MILLION FINE KICK IF HE APPROACHED PRIVATELY, SUGGEST DEPT NOT RAISE THIS WITH HIM. WE BELIEVE HOWEVER DEPT SHOULD BE AWARE OF IT FOR BACKGROUND PURPOSES IN DISCUSSING INVESTMENT WITH HIM. END FYI.

E. RAMAROSON MAY POINT OUT THAT AMERICAN OIL EXPLORATION COMPANIES OPERATING IN MADAGASCAR WITHOUT DIFFICULTY. IF SO, SUGGEST DEPT ACKNOWLEDGE, BUT NOTE THEY SHOULD BE AS THEY ARE MAKING MAJOR FINANCIAL CONTRIBUTION TO MADAGASCAR, WITHOUT ANY FINANCIAL OUTFLOW AT THIS STAGE.

6. AID: SUGGEST THIS SUBJECT BE BROACHED BY DEPT OR AID ONLY IF RAISED BY RAMAROSON OR HIS COLLEAGUES:

A. COULD THEN POINT OUT STATUS OF RAILROAD LOAN (WHICH WE EXPECT SIGN IMMINENTLY).

B. COULD INDICATE U.S. PREPARED DISCUSS FURTHER AID PROJECT (E.G., IN FIELD OF AGRICULTURE), BUT ATMOSPHERE FOR WASHINGTON CONSIDERATION MAY BE INFLUENCED BY MALAGASY FOREIGN POLICY APPROACH TOWARD U.S. (FYI: FAMAROSON PROBABLY IGNORANT OF EXCHANGES BETWEEN EMBASSY AND FOREIGN MINISTRY ON THIS SUBJECT -- TANANARIVE'S 957 AND 1452. WE URGE DEPT AND AID USE ABOVE FORMULATION IF SUBJECT RAISED, IN ORDER PROVIDE PROPER BACKING TO POLICY APPROACH EMBASSY HAS BEEN USING ON FURTHER AID. END FYI.)

C. REFERRING TO LIMITATIONS ON AVAILABILITY OF AID FUNDING, RAMAROSON SHOULD BE URGED TO LOOK TO EXPORT-IMPORT BANK AS ADDITIONAL SOURCE OF CREDITS. MIGHT BE POINTED OUT TO HIM THAT, IF GOMR HAD TURNED TO EXPORT-IMPORT BANK TWO

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YEARS AGO WHEN SUBJECT FIRST BROACHED AS SOURCE FINANCING FOR ROGEZ HYDROELECTRIC PROJECT, ACCELERATED EXPORT-IMPORT BANK PROCEDURES WOULD PROBABLY HAVE ENABLED PROJECT GET UNDER WAY LONG SINCE AND TO BE FINANCED AT FRACTION OF COST WHICH SUBSEQUENT INFLATION WILL ENTAIL.

MENDENHALL

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